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National Defense Industrial Association
Systems Engineering Conference

Using Outsourcing for Strategic Advantage

Wednesday, October 22, 2003

By Tim Budden

Today's Agenda

- Why outsource?
- Approaches to outsourcing
- Steps in the strategic outsourcing process
- Case studies
- Keys to success

"You busy?"

Why Outsource?

TACTICAL APPROACH

- Reduce time to market
- Cost control
- Utilize special capabilities
- Schedule requirements/fire-fight
- Project management expertise

STRATEGIC APPROACH

- Reduce time to market
- Increase product deliveries
- Cost control & reusable knowledge base
- Focus on your core competency
- Utilize special capabilities
- Legacy product management
- Project management expertise

Consider Different Approaches

- **Tactical:** utilize resources to resolve imminent issues
- **Strategic:** plan resource needs between yourself and a partner, establish a relationship and gain long-term benefits

Unique Benefits of Strategic Outsourcing

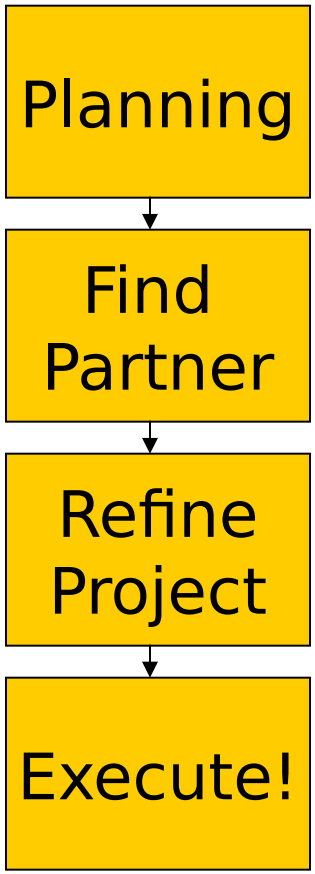
- Reusable knowledge base
- Reusable project management
- Information bridging
- Internal staff leveling
- Increase business volume

Special Considerations with Any Outsourcing

- Set realistic expectations
- Requires proper management (can't throw it over the wall)
- Overseas outsourcing (benefits and drawbacks)
- Project management vs. staff augmentation (understand the benefits)

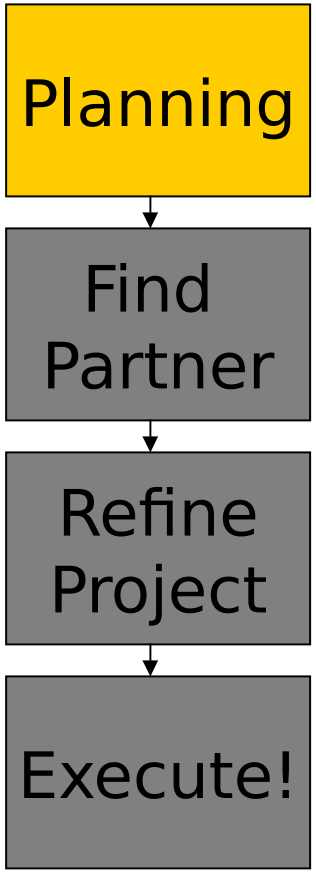
Steps to Strategic Outsourcing

- Plan
- Find an outsourcing partner
- Refine the project
- Execute!



Planning

- Determine what to outsource
  - Product focus
  - Activity focus
- Benefits/drawbacks
- Involve employees

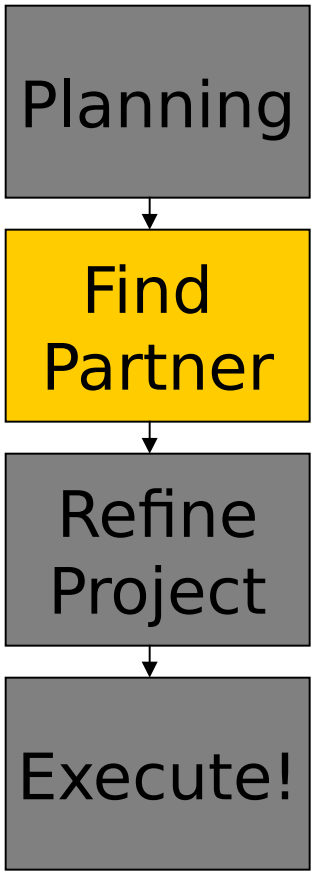


Developing the RFP/SOW

- Background information
- Scope of work
- Term of contract/milestones
- Deliverables
- Outcome and performance standards
- Vendor proposal guidelines
- Contractual conditions
- RFP schedule
- Selection criteria (if applicable)

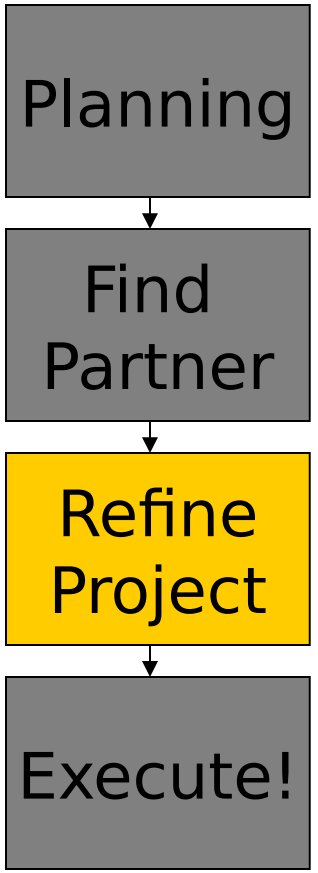
Finding an Outsourcing Partner

- Be diligent
- Review their capabilities, specialties and processes
  - Experienced?
  - Specialty?
  - Compatible process?
  - Certified?
  - Equipment, staff and facilities?
- Talk
  - Ask tough questions
  - Talk to their other customers (find out if they have the proven ability to deliver!)
- On-site visit
- Establish a Non-Disclosure Agreement



Refining the Project (with your partner)

- Understand and exercise the **discovery process**
- Clearly define the project
- Create an RFP/SOW
- Have the outsourcing partner develop a **basis of estimate** for the final proposal



Discovery Process

- Dig into the details…
  - Scope and timelines detailed?
  - Requirements understood?
  - Resources available, skilled?
  - Certification constraints?
  - Exactly what are we starting from?
- Unverified “assumptions” represent potential future calamity
- Ideally, make the discovery process collaborative

Discovery Process

- **Timeline**
  - Short: days or a few weeks
  - Long: months
  - Phased: completion of one project phase leads to more clarification in future phases
- **Steps**
  - Conversation and information sharing about the project, face-to-face and/or by phone/email
  - Progressive levels of detail and strategizing to find the best solution for the company
  - Strategic discovery also includes discussion of long-term goals

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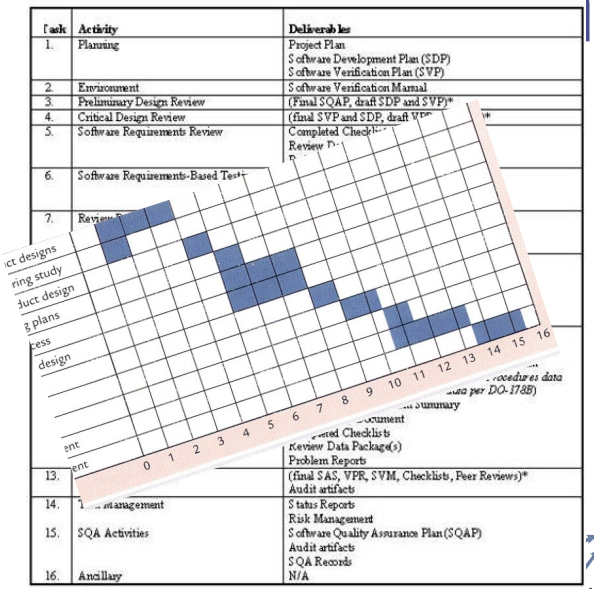
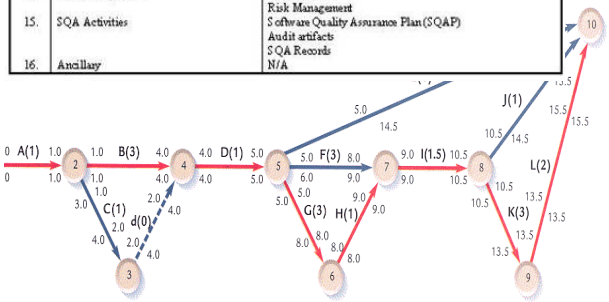
Know What You're Getting

Identified Activities to be Performed	Basis Of Estimate	Estimated Units of Work	Estimated Hours per Unit of Work	Estimated Days
Planning	Estimate of time to complete the Project Plan. A draft version of this document has been created.	1	24	3.0
	Estimate of the time to perform the project familiarization activities.	1	40	5.0
Environment	Estimated time to establish the test environment (hardware, compiler, builds, etc.). Assumed vendor will perform installation.	1	32	4.0
	Estimated time to install and configure the structural coverage tool. It is assumed that customer will have the structural coverage tool to a point of being operational and all supplemental tools (i.e. the tool that reformats the collected coverage data into specified format) completed.	1	24	3.0
	Estimated time to maintain the host test environment (hardware, compiler, builds, etc.).	46	2	11.5
	Estimated time to establish the project support environment. Includes establishing the metrics collection (Ommi Info), establishing the problem reporting (StarTeam), establishing the configuration management environment (StarTeam).	1	20	2.5

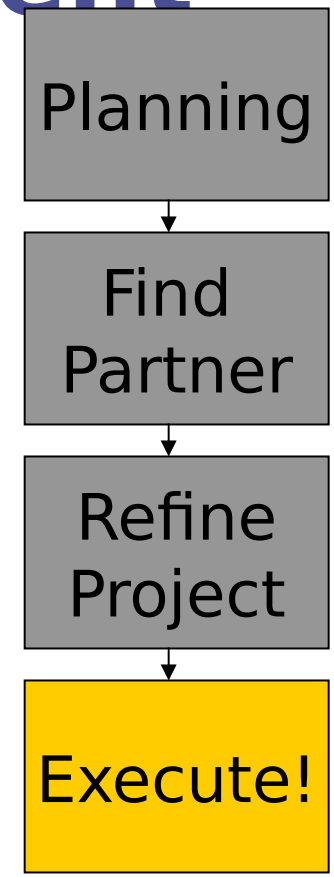
Project Initiation/Management



Task	Activity	Deliverables
1.	Planning	Project Plan Software Development Plan (SDP) Software Verification Plan (SVP)
2.	Environment	Software Verification Manual
3.	Preliminary Design Review	(Final SQAP, draft SDP and SVP)*
4.	Critical Design Review	(final SVP and SDP, draft VTP*
5.	Software Requirements Review	Completed Checkl… Review T…
6.	Software Requirements-Based Test…	
7.	Review…	
13.		(final SAS, VPR, SVM, Checklists, Peer Reviews)* Audit artifacts
14.	T… anagement	Status Reports Risk Management
15.	SQA Activities	Software Quality Assurance Plan (SQAP) Audit artifacts SQA Records
16.	Ancillary	N/A



- Project kick-off
- **Execute for success**
- Project tracking
- Manage the project
- Maintain control/be aware of activities



Case Study: Certification

- **Situation:** Prime contractor found themselves in a scheduling bind and were not sure about how to meet certification requirements for their system
- **Solution:** Outsourcing partner spent two days on-site working with the customer to understand where they were in the process, and what they needed to do to complete the certification project successfully. The partner then helped the contractor complete the project

Case Study: Sharing the Work

- **Situation:** Manufacturer realizes they do not have staff bandwidth to complete an upcoming project, but doesn't know what work to outsource
- **Solution:** The outsourcing partner worked with the customer and within a few days determined which portions of the project were best suited to outsource. They also helped establish a plan for completion, allowing the manufacturer to focus on its core competency

Case Study: Ongoing Partner

- **Situation:** Avionics supplier saw increased business opportunities for one of their product lines, but did not want to staff to peak levels required
- **Solution:** Established a relationship with outsourcing partner and collaborated on initial release. The partner now performs all software activities:
  - New features
  - Legacy maintenance

Keys to Success

- Discovery process
- Involve employees
- Statement of work
- Basis of estimate
- Vendor project management capabilities

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